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URBAN DEVELOPMENT ACTION GRANTS

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* What is UDAG?

Urban Development Action Grants (UDAG) provide assistance to distressed cities in order to stimulated new, increased investment for the purposes of revitalizing local economies and reclaiming deteriorated neighborhoods.

The theme of UDAG is leveraging private investment and job creation. The program was initiated in 1978 and is funded at a level of $400 million annually, 25% of which is set aside for cities under 50,000. The UDAG program is proposed to be funded at a level of $675 million in FY80.

* Who is eligible?

UDAG is targeted to distressed cities. Factors considered in the evaluation of distress by the U.S. Department of Housing and Urban Development are: age of housing, per capita income, population decline/lag in growth, unemployment, job decline/lag in growth, and poverty. Cities which meet the threshold are eligible to apply for UDAG.

* Who may apply?

Only the City itself may apply for a UDAG grant. Likewise, UDAG funds are awarded directly to the City. However, independent agencies, non-profits, community groups as well as private profit-making businesses may carry out a UDAG funded project or be the recipient of UDAG funds passed through the City.

* What is an eligible UDAG project?

To be brief, most activities which can be considered to be housing, community development or economic development should be eligible. Medical or Health care facilities are eligible only in certain circumstances. (also see Selection Criteria)

* What is an eligible use of UDAG funds?

Any activity eligible for Community Development Block Grant funding which supports a commercial, industrial or residential project is an eligible use for UDAG funds. Such activities include, among others, the acquisition, rehabilitation, and construction of commercial, industrial, and residential buildings and structures; the construction and reconstruction of parking facilities, public utilities, street improvements, water and sewer facilities, foundations and platforms for air rights, pedestrian malls and walkways, and other public facilities; demolition and clearance; relocation; the provision of working capital and the purchase of equipment and fixtures.

Another way to look at UDAG is as a "financing mechanism." UDAG funds have been used to write down extra-ordinary project costs, reduce interest rates or make up for shortfalls in private sector financing.

*What is the application process?

Applications are accepted quarterly by H.U.D., on January 31, April 30, July 31 and October 31. Decisions are rendered within 60 days of the closing dates. There is no statutory maximum or minimum size of a UDAG funding request.

Applications must go through a citizen's participation process of at least two public hearings. Applications must also be submitted to state-wide "clearing houses" to be reviewed by other state and regional agencies.

The City Council must approve the application before submission to HUD.

*What is the Selection Criteria for UDAG?

UDAG projects must compete on a nation-wide basis against a pre-determined set of criteria. Projects are judged against these criteria in relation to other projects in the same category (i.e, commercial, industrial, and neighborhood). Criteria are:

(a) Extent and firm commitment of private financial resources for the proposed project. How many private dollars will be invested as a direct result of the injection of UDAG funds. These dollars must be documented prior to the award of UDAG funds by the submission of "binding letters of commitment."
Current national averages for leveraging are as follows: Industrial--7 dollars of private investment committed for every 1 UDAG dollar; Commercial--6:1; Residential--5.6:1. Public funds cannot count towards this leverage ratio.

(b) Impact of the proposed project on the special problems of low-and moderate income persons and minorities. (How many new jobs does this project create per UDAG dollar? What other benefits does the project provide for low/mod persons or minorities?)

(c) Feasibility of accomplishing the project in a timely fashion. (In other words, is the project ready to go?)

(d) Nature and extent of financial participation by other public entities.

(e) Impact on the physical, fiscal, or economic deterioration of the City. (How may property tax dollars does this project generate?)

(f) Extent to which the project represents a special or unique opportunity.

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